

REMARKS OF  
HENRY A. WAXMAN,  
CHAIRMAN,  
SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT  
BEFORE  
THE UNIVERSITY HEALTH POLICY CONSORTIUM  
JUNE 7, 1982

I AM PLEASED TO BE ABLE TO JOIN YOU TODAY.

THIS MEETING IS, AS YOU KNOW, A VERY TIMELY ONE. WE'VE JUST FINISHED LONG SESSIONS ON THE HOUSE FLOOR COPING WITH SEVEN BUDGETS WITH AS MANY AS SIXTY-EIGHT AMENDMENTS TO EACH. THE DAY AFTER TOMORROW, THE HOUSE WILL START THE DEBATE OVER AGAIN. I CAN TELL YOU NOW THAT THE QUESTIONS OF HOSPITAL COSTS, HEALTH INSURANCE AND HEALTH CARE ARE PERHAPS THE CENTRAL POINT FOR THE ENTIRE CONGRESSIONAL DEBATE. AS THE ISSUE OF SOCIAL SECURITY RULED THE SENATE, THE ISSUES OF HEALTH INSURANCE HAVE AND WILL CONTINUE TO DOMINATE THE DECISIONS OF MANY MEMBERS OF THE HOUSE.

BEFORE I GET INTO THE SPECIFICS OF MY CONCERNS ABOUT THE ADMINISTRATION'S AMBULATORY CARE POLICIES, LET ME TRY TO GIVE YOU AN IDEA OF THESE BUDGET DELIBERATIONS AS THEY ARE FITFULLY PROCEEDING. TWO WEEKS AGO, THERE WERE THREE FULL-FLEDGED PROPOSALS GIVEN A REAL CHANCE TO PASS AS TO HOW TO RUN THE TAX, MILITARY, AND DOMESTIC PROGRAMS OF THE FEDERAL GOVERNMENT:

- \* THE PROPOSAL BY CONGRESSMAN JONES, THE CHAIRMAN OF THE HOUSE BUDGET COMMITTEE, MADE CUTS OF \$12.7 BILLION IN HEALTH PROGRAMS OVER THREE YEARS.

- \* THE PROPOSAL OF CONGRESSMAN ASPIN CUT \$11.8 BILLION FROM THE PROGRAMS OVER THE SAME PERIOD.

- \* AND THE REAGAN-BACKED PROPOSAL OF CONGRESSMAN LATTA CUT AN UNBELIEVABLE \$27.5 BILLION.

MOST OF THESE CUTS WERE TO HAVE COME OUT OF THE MEDICARE PROGRAM.

TO THOSE OF US WHO HAVE BEEN IN THE CONGRESS FOR SOME YEARS, MUCH OF THE DISCUSSION OF THE MEDICARE PROGRAM PROVIDED A STRANGE REVERSAL OF RHETORIC. TWO YEARS AFTER PRESIDENT CARTER'S COST CONTAINMENT BILL, SUDDENLY CONSERVATIVE REPUBLICANS BEGAN TO SAY THAT HEALTH CARE COSTS WERE OUT OF CONTROL AND THAT THEY WOULD PROPOSE HOSPITAL-COST CONTAINMENT AS PART OF ITS NEW BUDGET.

THE RANKING REPUBLICAN ON THE BUDGET COMMITTEE SAID, AND I <sup>3</sup> QUOTE, "WHAT DO WE PROPOSE? THE ADMINISTRATION HAS PROPOSED HOSPITAL COST CONTAINMENT.... THESE MEDICARE COSTS HAVE GONE OUT OF SIGHT, AND THEY HAVE TAKEN COSTS TO OTHERS USING HOSPITALS WITH THEM.... IS THERE ANYTHING WRONG WITH TRYING TO GET A HANDLE ON THESE SKY-ROCKETING COSTS? I DO NOT THINK SO."

HE WENT ON TO ASSERT THAT SINCE ONLY PROVIDERS WERE RESPONSIBLE FOR INCREASES IN HOSPITAL COSTS, ONLY PROVIDERS WOULD FEEL THE \$23-BILLION REDUCTION IN THE MEDICARE PROGRAM.

THE IRONIES OF SUCH A DEBATE WERE OFTEN CONFUSING.

BUT IT DID BECOME CLEAR THAT THE ADMINISTRATION AND THE CONGRESSIONAL REPUBLICANS WERE PROPOSING THAT HEALTH CARE BE CUT BACK AND RATIONED ON THE BASIS OF AGE. THE PROPOSAL WOULD INCLUDE COST CONTAINMENT ONLY FOR MEDICARE BENEFICIARIES, AND THE REST OF THE COUNTRY COULD CONTINUE ON ITS OWN INFLATED AND INACCESSIBLE WAY.

NEAR THE END OF THE DEBATE, HOWEVER, IT BECAME CLEAR THAT THE REPUBLICANS HAD MADE A SERIOUS--AND FINALLY FATAL--MISTAKE IN PUTTING TOGETHER THEIR BUDGET. MORE AND MORE OF THE MODERATES OF BOTH PARTIES HAD REALIZED THAT THE LATTA SLASHES WERE UNREALISTIC AND THAT SUCH "SAVINGS" COULD BE ACHIEVED ONLY BY SHIFTING COSTS TO BENEFICIARIES AND BY ARBITRARILY REDUCING PROVIDER PAYMENT RATES.

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AS REPUBLICAN MEMBERS CAME TO UNDERSTAND THIS, THE REPUBLICAN LEADERSHIP BECAME INTERESTED IN AN AMENDMENT I HAD PROPOSED TO RESTORE SOME OF THEIR OWN ILL-CONCEIVED MEDICARE CUTS. (I WOULD NOTE THAT NONE OF THE REPUBLICANS HAD DRAFTED ANY AMENDMENTS TO RESTORE ANY OF THESE CUTS. MY AMENDMENT WAS ONE OF THE FEW THAT WOULD HAVE BEEN ALLOWED FOR CONSIDERATION IN THE DEBATE.)

I WAS CONVINCED THAT MY AMENDMENT HAD THE BACKING OF A MAJORITY OF THE HOUSE AND THAT IF IT WERE ADDED TO THE LATTA BUDGET, THAT THAT ENTIRE BUDGET WOULD PASS. AND IT WAS CLEAR TO ME THAT, WITHOUT A RESTORATION OF MOST OF THE MEDICARE CUTS, THE REPUBLICANS WOULD NOT FIND THE NECESSARY VOTES WITHIN THEIR OWN RANKS TO PASS THEIR ANTI-ELDERLY BUDGET.

BUT I DID NOT BELIEVE THAT THE WAY TO DEFEND MEDICARE WAS TO FUEL THE PASSAGE OF THE LATTA BUDGET. WE CANNOT SAVE PEOPLE'S HEALTH AT THE EXPENSE OF THEIR FOOD, THEIR HOUSING, AND THEIR ENVIRONMENTS.

I THEREFORE DECIDED TO WITHDRAW MY AMENDMENTS. ANOTHER AMENDMENT WAS EVENTUALLY OFFERED. BUT WHILE IT RESTORED ALL MEDICARE FUNDING FOR '83, IT LEFT \$18.5 BILLION OF CUTS IN THE PROGRAM IN 84 AND 85 INTACT. IT TOOK THAT MONEY SPECIFICALLY FROM DEFENSE. WHEN THIS AMENDMENT PASSED, IT POLITICALLY SANK ALL THE ALTERNATIVES.

THE RESULT OF ALL OF THESE LATE-NIGHT SESSIONS IS, OF COURSE, FAMILIAR TO YOU. ALL THREE BUDGETS WERE REJECTED. EVERYONE IN THE HOUSE HAS GONE BACK TO THE DRAWING BOARD. AND I HOPE THAT ALL CONCERNED WILL THIS TIME REGARD HEALTH CARE AS THE NON-PARTISAN, NATIONAL ISSUE THAT IT ONCE WAS AND SHOULD BE AGAIN.

BUT I AM NOT CONFIDENT OF THIS.

BY DESCRIBING THE SPECIAL NATURE OF THE MEDICARE DEBATE IN THE HOUSE, I DO NOT MEAN TO LEAD YOU TO THINK THE ISSUES OF HEALTH CARE WILL ALWAYS ENJOY SUCH A CHARMED EXISTENCE. WHEN NEW BUDGETS EMERGE THEY MUST CONTAIN HEALTH INSURANCE AND TAX PROVISIONS.

THE BUDGET DEBATE ON WEDNESDAY WILL BEGIN WITH THE PRESIDENT'S ORIGINAL BUDGET, THE SAME BUDGET THAT CONTAINS THE HIGHEST DEFICITS OF ANY OF THE SEVEN OR EIGHT MAJOR PROPOSALS AND THE SAME BUDGET THAT WAS UNANANIMOUSLY REJECTED BY THE SENATE BUDGET COMMITTEE, WITH THE FIRST "NAY" VOTE CAST BY THE CHAIRMAN, MR. DOMENICI.

THERE WILL ALSO BE TWO SUBSTITUTES PROPOSED, ONE DEMOCRATIC AND ONE REPUBLICAN. NUMBERS ARE STILL TOO UNCERTAIN TO PREDICT, BUT THE DEMOCRATIC BUDGET WILL PROVIDE SMALL INCREMENTS FOR DISCRETIONARY HEALTH SPENDING AND MODERATE CUTS IN ENTITLEMENTS, WITH MEDICARE FUNDING AT OR NEAR THE LEVEL OF MY AMENDMENTS.

THE REPUBLICANS HAVE ALREADY MADE IT CLEAR THAT THEY ARE LOOKING TO THE CONSERVATIVES FOR ADDITIONAL SUPPORT, AND WILL FREEZE OR FURTHER CUT ALL NON-DEFENSE DISCRETIONARY SPENDING. MEDICARE AND MEDICAID LEVELS IN THIS BUDGET ARE STILL UNCLEAR, AND ALTHOUGH I WOULD EXPECT THAT THE REPUBLICANS WOULD HAVE TO MAKE SOME CONCESSIONS ON HEALTH INSURANCE, THEY HAVE A VERY LONG WAY TO GO TO REACH AN ACCEPTABLE LEVEL.

I VEHEMENTLY DISAGREE WITH THE REAGAN ADMINISTRATION WHEN IT SUGGESTS THAT THE WAY TO CONTROL FEDERAL HEALTH COSTS IS BY LIMITING COVERAGE OF THE POOR AND THE ELDERLY.

BUT THIS ADMINISTRATION IS DETERMINED TO CONTINUE WITH ITS POLICIES OF LIMITING ALL CARE--ESPECIALLY PREVENTIVE AND AMBULATORY SERVICES. BY CLOSING CLINICS, THEY HAVE ESCALATED SICKNESS AND COSTS AND HAVE TURNED MANY OUTPATIENTS INTO INPATIENTS.

THE ORIGINAL REAGAN PROMISE OF A "RETURN TO FIRST PRINCIPLES" IS, AS ONE PUBLIC HEALTH EXPERT HAS SAID, "A RETURN TO FIRST DISEASES, A RETURN TO THE DAYS OF CHARLES DICKENS." IT IS, IN FACT, A RETURN TO THE MOST EXPENSIVE, LEAST HUMANE CARE.

IT IS A RETURN TO THE DAYS OF LARGE MENTAL HOSPITALS AND TUBERCULOSIS SANATORIUMS.

IT IS A RETURN TO HOSPITAL EMERGENCY ROOMS, FOR MANY PEOPLE NOT JUST AS A FIRST PRINCIPLE BUT ALSO AS A FIRST MEDICAL CONTACT.

IT IS A RETURN TO THE SORT OF SHORT-SIGHTEDNESS THAT BUYS VACCINE FOR CHILDREN ONLY AFTER EPIDEMICS HAVE BEGUN.

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LAST YEAR'S CUTS HAVE BEGUN THIS DEVASTATION IN THREE WAYS:

THE LOSS OF MANPOWER;

THE LOSS OF OUTPATIENT CLINICAL CAPACITY; AND

THE LOSS OF HEALTH COVERAGE.

THE LOSS OF MANPOWER TO PROVIDE HEALTH CARE IS THE MOST IMMEDIATE THREAT TO A GENERAL HEALTH CARE SYSTEM. THE NATIONAL HEALTH SERVICE CORPS--WHICH HAS PROVIDED OUR MOST DIRECT MEANS OF FURNISHING PROFESSIONALS IN UNDERSERVED AREAS AROUND THE COUNTRY--HAS BEEN TARGETED BY THE ADMINISTRATION AGAIN.

ALREADY WE HAVE LOST OVER A THOUSAND PROVIDERS FROM THE CORPS--500 SCHOLARSHIP RECIPIENTS WHO WERE FORCED TO LEAVE THE FIELD AND 500 VOLUNTEERS WHO COULD NOT BE RECRUITED SINCE THERE WERE NO FUNDS TO PAY THEM. WITHIN FIVE YEARS, WE WILL HAVE LOST 2,800 PHYSICIANS FROM THE CORPS. IN THE ADMINISTRATION'S BUDGET FOR NEXT YEAR--THE BUDGET THAT WILL BE DISCUSSED IN THE NEXT FEW DAY--THE CUTS GO FURTHER, SUGGESTING THAT ALL NEW SCHOLARSHIPS BE ELIMINATED AND ASSUMING THAT THE "TRICKLE DOWN THEORY" HAS A PLACE IN HEALTH ECONOMICS.

COMPOUNDING THIS LOSS OF MANPOWER, THE LOSS OF OUTPATIENT STRUCTURE WILL BE PARTICULARLY DAMAGING. IN MANY UNDERSERVED URBAN AND RURAL AREAS, FEDERALLY SUPPORTED COMMUNITY HEALTH CENTERS ARE THE ONLY SOURCE OF HEALTH CARE. BY THE END OF 1982, OVER TWO HUNDRED OF THESE CENTERS WILL HAVE CLOSED THEIR DOORS, AND THE REMAINING SIX TO SEVEN HUNDRED WILL BE FORCED TO SCALE BACK THEIR SERVICES.

IN THE SAME FASHION, LAST YEAR'S CUTS HAVE FORCED THE CLOSING OR REDUCTION OF MATERNAL AND CHILD HEALTH CENTERS, VENEREAL DISEASE TREATMENT AND CONTROL CLINICS, COMMUNITY MENTAL HEALTH CENTERS, OUTPATIENT MENTAL RETARDATION FACILITIES, AND FAMILY PLANNING CLINICS.

THE ADMINISTRATION BUDGET FOR 1983 PROPOSES FURTHER CUTS OF ALMOST 30% IN THE MCH AND WIC PROGRAMS.

FOR MANY PATIENTS THERE ARE NO ALTERNATIVES BUT TO RETURN TO THE HOSPITAL AND ITS EMERGENCY ROOM FOR CARE. IF THEY ARE FORTUNATE, THIS EXPENSIVE CARE WILL BE COVERED BY MEDICARE OR MEDICAID.

BUT FOR MANY EVEN THIS OPTION MAY HAVE BEEN FORECLOSED BY THE ADMINISTRATION. REDUCTIONS IN FEDERAL MEDICAID MATCHING RATES TO STATES PLUS THE NEW RESTRICTIONS ON CATEGORICAL ELIGIBILITY WILL MEAN THAT FEWER AND FEWER PEOPLE WILL BE COVERED FOR FEWER BENEFITS.



THE RESULT IS A BLIND ALLEY FOR HEALTH CARE OF ALL SORTS, <sup>9</sup> AND AMBULATORY CARE IN PARTICULAR. WITHOUT HEALTH PROFESSIONALS, WITHOUT CLINICS, AND WITHOUT INSURANCE COVERAGE FOR HOSPITAL CARE, MANY AMERICANS WILL SIMPLY BECOME THE BAD DEBTS OF PUBLIC GENERAL HOSPITALS.

BUT RATHER THAN BEGINNING TO ADDRESS ANY PROBLEMS OF SUCH SUBSTANCE, THE WHITE HOUSE HAS PROPOSED A SECOND ROUND OF DEEPER CUTS, AGAIN ASKING THAT THE MEDICAID PROGRAM BE CUT BY OVER TWO BILLION DOLLARS AND THAT SUCH IMPORTANT PUBLIC HEALTH PROGRAMS AS FAMILY PLANNING AND COMMUNITY HEALTH CENTERS BE ELIMINATED ALTOGETHER.

IT MIGHT BE USEFUL TO LOOK AT SOME OF THE SPECIFIC ADMINISTRATION PROPOSALS TO SEE JUST WHAT THE MAGNITUDE OF THE MEDICAID COST-SHIFTING WILL BE. THE ADMINISTRATION PROPOSES TO SAVE \$600 MILLION IN FY 1983 BY REDUCING THE CURRENT FEDERAL MEDICAID MATCHING RATE FOR ALL SO-CALLED "OPTIONAL" SERVICES AND "OPTIONAL" ELIGIBILITY GROUPS BY THREE PERCENTAGE POINTS. THIS MEANS STATES WILL EITHER HAVE TO INCREASE THE AMOUNT OF MONEY THEY PUT INTO THE MEDICAID PROGRAM OR CUT BACK ON CURRENT COVERAGE.

LET US BE CLEAR ABOUT WHO THESE "OPTIONAL" GROUPS ARE AND WHAT THESE "OPTIONAL" SERVICES ARE. THE "OPTIONAL" ELIGIBILITY GROUPS ARE NOT JUST THE MEDICALLY NEEDY, BUT ALSO INCLUDE ALL ELDERLY AND DISABLED PERSONS IN NURSING HOMES WITH INCOME IN EXCESS OF \$25 A MONTH.

THE "OPTIONAL" SERVICES INCLUDE NONSKILLED NURSING HOME CARE, PRESCRIPTION DRUGS, DENTAL CARE, EYEGLASSES, AND HEARING AIDS.

IN JANUARY, AS THE PRESIDENT TRIED TO DIVERT US ALL WITH "THE NEW FEDERALISM", I DISAGREED STRONGLY WITH HIS MEDICAID CUTS AND, SHORTLY THEREAFTER, TESTIFIED BEFORE THE HOUSE BUDGET COMMITTEE IN OPPOSITION TO THIS FOOLISH "THREE PERCENT SOLUTION". MY SUBCOMMITTEE'S FORMAL REPORT TO THE BUDGET COMMITTEE ALSO REJECTED THE PROPOSAL.

AFTER VOICING SUCH CONSISTENT CRITICISM, I AM HAPPY TO TELL YOU THAT THIS CUT OF SO-CALLED OPTIONAL SERVICES AND OPTIONAL BENEFICIARIES NOW SEEMS TO HAVE BEEN DISCARDED BY EVERYONE BUT THE WHITE HOUSE AND THE CONSERVATIVE BOLL WEEVILS. OF THE MAJOR BUDGETS THAT I MENTIONED, THE PROPOSAL APPEARS IN THE NUMBERS OF THE CONSERVATIVE SOUTHERN DEMOCRATS AND NOWHERE ELSE--NOT EVEN IN THE SENATE BUDGET RECOMMENDATION.

BUT LARGE REDUCTIONS IN THE HEALTH BUDGET COULD FORCE COMMITTEES TO BRING THE PROPOSAL BACK TO LIFE, WITH ADMINISTRATION SUPPORT. AS THE BUDGET PROCESS CONTINUES, WE MUST ALL CONTINUE TO BE ON GUARD.

I HAVE A CLEAR SENSE THAT THIS ADMINISTRATION FEELS NO NATIONAL RESPONSIBILITY TO PROVIDE CARE OR COVERAGE WHERE THE COMPETITIVE MARKET FAILS. THE ADMINISTRATION BELIEVES INSTEAD THAT SUCH CARE IS NOT A RIGHT OF AMERICANS, BUT MAYBE ONLY OF CALIFORNIANS OR NEW YORKERS OR THOSE WHO ARE FORTUNATE ENOUGH TO BE OLD IN A WEALTHY AND COMPASSIONATE STATE.

TODAY THAT SHIFT FROM FEDERAL RESPONSIBILITY AFFECTS BLOCK GRANTS FOR HEALTH AND LARGE PARTS OF THE MEDICAID PROGRAM.

THE SO-CALLED "NEW FEDERALISM" IS MUCH THE SAME THING. THE ADMINISTRATION HAS PROPOSED TO TAKE OVER RESPONSIBILITY FOR THE MEDICAID PROGRAM, BUT WHAT KIND OF PROGRAM DO THEY HAVE IN MIND? A PROGRAM THAT PROVIDES ADEQUATE COVERAGE TO THE POOR? OR THE REMAINS OF A PROGRAM DECIMATED BY THE ADMINISTRATION'S BUDGET CUTS? I FEAR THAT WHAT THE ADMINISTRATION REALLY HAS IN MIND IS TO LIMIT FEDERAL DOLLARS FOR HEALTH CARE TO THE POOR, LEAVING THE STATES TO BEAR ANY ADDITIONAL COSTS. THE STATES WILL, OF COURSE, BEGIN TO SHIFT THESE COSTS TO THE COUNTIES--AND THE COUNTIES TO THE CITIES AND THE PROVIDERS AND THE POOR.

A FRIEND FROM THE CALIFORNIA LEGISLATURE--WHICH IS TRYING TO DEAL WITH LAST YEAR'S COST-SHIFTING AND REDUCE ITS MEDICAID SPENDING BY \$500 MILLION--PUT IT THIS WAY: THE PHONE CALL CAME FROM WASHINGTON, SAYING "WE HAVE BAD NEWS: LOTS OF CUTS." SO SACRAMENTO PUT THE CALL ON HOLD AND SAID TO L.A. COUNTY, "IT'S FOR YOU."

THE REAGAN NEW FEDERALISM WOULD EXPAND SUCH SHIFTING TO MONUMENTAL PROPORTIONS. IF A VOUCHER SYSTEM FOR MEDICARE BECOMES A REALISTIC PROPOSAL, THE SHIFT AWAY FROM FEDERAL RESPONSIBILITY WILL BECOME EVEN MORE DRAMATIC. THE FEDERAL CONTRIBUTION TO THE CARE OF THE ELDERLY AND DISABLED WILL BE FIXED, AND THESE PATIENTS--AND THEIR PROVIDERS--WILL HAVE TO ABSORB ANY ADDITIONAL EXPENSES.

AND IF STRAIGHTFORWARD CAPS ON MEDICARE AND MEDICAID WERE TO RE-APPEAR--AND THERE ARE INDICATIONS THAT SOME REPUBLICANS WILL BE TRYING AGAIN--GOVERNMENTS WOULD HAVE TO CHOOSE AMONG CURRENTLY COVERED SERVICES, TO FIND THE ONES TO CUT. WE CAN IMAGINE THAT AMBULATORY CARE AND ALL "OPTIONAL SERVICES" WOULD GO FIRST. WE CAN PREDICT THAT NO MEDICALLY NEEDY PERSONS WOULD BE ELIGIBLE.

EVERYONE MUST UNDERSTAND. IF THESE NEW PROPOSALS ARE ADOPTED, MILLIONS WILL SUFFER, AND THERE WILL BE NO SAFETY NET TO CATCH THEM. THE MOST VULNERABLE WILL BE REDUCED TO A QUALITY OF LIFE WHICH IS DIFFICULT TO IMAGINE, AND IMPOSSIBLE TO ACCEPT.

I WILL OPPOSE THESE AND ALMOST ALL OF MR. REAGAN'S OTHER SHORT-SIGHTED PROPOSALS FOR REDUCING HEALTH CARE. I LOOK FORWARD WITH INTEREST TO YOUR SUGGESTIONS ON THE REVIVAL AND MODIFICATION OF THE AMBULATORY CARE SYSTEM. I CONGRATULATE YOU ON THIS CONFERENCE AND YOUR EFFORTS.

THANK YOU FOR INVITING ME TO BE HERE. I LOOK FORWARD TO WORKING WITH YOU IN THE FUTURE AND I WILL BE GLAD TO ANSWER ANY QUESTIONS YOU MAY HAVE NOW.